North Dakota
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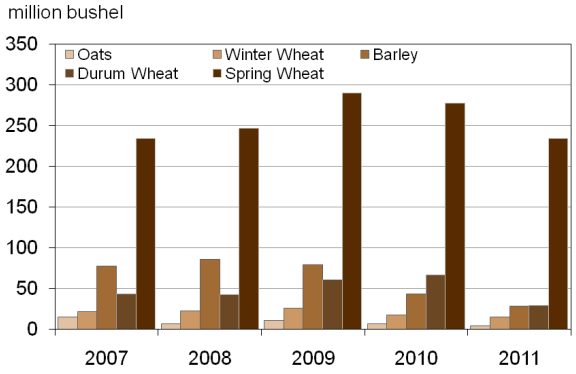
CROP PRODUCTION

North Dakota
Spring wheat production for 2011 is forecast at 233.7 million bushels, down 16 percent from the 277.2 million bushels produced last year. The forecasted yield is 38.0 bushels per harvested acre, down 6.0 bushels per acre from last year. Durum wheat production is forecast at 29.1 million bushels, down 56 percent from the 66.75 million bushels produced last year. The forecasted yield is 30.0 bushels per acre, 7.5 bushels per acre below 2010.

Barley production is forecast at 28.1 million bushels, down 36 percent from last year and 65 percent from 2009. The average yield is forecast at 55.0 bushels per acre, down 10.0 bushels per acre from last year. Oat production is forecast at 4.13 million bushels, down 36 percent from 2010. The average yield is forecast at 55.0 bushels per acre, down 6.0 bushels per acre from last year.

Crop Production – North Dakota: 2007-2011



The crop production forecasts in this report are based on yield projections and acreage reports collected from a cross-section of North Dakota producers around July 1. This report is based on conditions around July 1 and assumes no extreme conditions the remainder of the crop season.

United States
Spring wheat production is forecast at 551 million bushels, down 11percent from last year. Durum wheat production is forecast at 63.7 million bushels, down 41 percent from 2010. Barley production for 2011 is forecast at 173 million bushels, down 4 percent from 2010. Oat production is forecast at 56.6 million bushels, down 30 percent from 2010.

Crop Area Planted, Harvested, Yield and Production – North Dakota and United States: 2010 and Forecasted July 1, 2011
(Data are the latest estimates available.)

Crop	North Dakota				United States			
	Area planted		Area harvested		Area planted		Area harvested	
	2010	2011	2010	2011	2010	2011	2010	2011
	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)
Wheat, all	8,530	7,690	8,400	7,430	53,603	56,433	47,637	47,174
Spring	6,400	6,350	6,300	6,150	13,698	13,627	13,359	13,220
Durum	1,800	1,000	1,780	970	2,570	1,698	2,529	1,647
Winter	330	340	320	310	37,335	41,108	31,749	32,307
Barley	720	550	670	510	2,872	2,815	2,465	2,480
Oats	280	210	105	75	3,138	2,587	1,263	934

Crop	Yield			Production		Yield			Production	
	2010	2011		2010	2011	2010	2011		2010	2011
		June	July				June	July		
	(bushels)	(bushels)	(bushels)	(1,000 bushels)	(1,000 bushels)	(bushels)	(bushels)	(bushels)	(1,000 bushels)	(1,000 bushels)
Wheat, all	43.0	(X)	37.5	361,550	278,300	46.4	(X)	44.6	2,208,391	2,106,119
Spring	44.0	(X)	38.0	277,200	233,700	46.1	(X)	41.7	615,975	550,660
Durum	37.5	(X)	30.0	66,750	29,100	42.4	(X)	38.7	107,180	63,720
Winter	55.0	53.0	50.0	17,600	15,500	46.8	45.3	46.2	1,485,236	1,491,739
Barley	65.0	(X)	55.0	43,550	28,050	73.1	(X)	69.6	180,268	172,658
Oats	61.0	(X)	55.0	6,405	4,125	64.3	(X)	60.5	81,190	56,551

(X) Not applicable.

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DRY EDIBLE PEA & LENTIL ACREAGE

North Dakota
Dry edible pea planted area in North Dakota is estimated at 130,000 acres, down from 430,000 acres in 2010. Dry edible pea acreage estimates were added to the program in 1998 when 100,000 acres were planted. Harvested acreage is estimated at 125,000, below the 400,000 acres estimated in 2010.

Lentil planted area is estimated at 100,000 acres, down from the record high of 265,000 acres last year. Lentil acreage estimates were added to the program in 1998 when 22,000 acres were planted. Harvested acreage is estimated at 96,000, down from 255,000 acres last year.

United States
Dry edible pea planted area is estimated at 416,000 acres, down 45 percent from last year. Lentil planted area is estimated at 470,000 acres, down 29 percent from last season's record high acreage.

Dry Edible Peas and Lentils Area Planted and Harvested – Selected States and United States, 2010-2011

State	Area planted		Area harvested	
	2010	2011	2010	Forecasted 2011
	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)
Dry edible peas[1]				
North Dakota	430.0	130.0	400.0	125.0
Idaho	31.0	20.0	30.0	18.0
Montana	220.0	190.0	207.0	180.0
Oregon	7.0	6.0	6.4	5.8
Washington	68.0	70.0	68.0	70.0
United States	756.0	416.0	711.4	398.8
Lentils				
North Dakota	265.0	100.0	255.0	96.0
Idaho	55.0	30.0	54.0	29.0
Montana	260.0	280.0	247.0	270.0
Washington	78.0	60.0	78.0	60.0
United States	658.0	470.0	634.0	455.0

[1] Excludes both wrinkled seed peas and Austrian winter peas.

POTATO ACREAGE

North Dakota
Acreage planted to potatoes in North Dakota for 2011 is estimated at 83,000 acres, down 1 percent from 2010. Area for harvest is forecast at 79,000 acres, a 1 percent decrease from last year. Potato planting was virtually complete by June 19, one week behind the five-year (2006-2010) average.

Russets account for 50 percent of the total acreage, up from 41 percent last year. Whites, at 23 percent, are down from 35 percent in 2010. Reds account for 26 percent of the total, up from 22 percent last year. Yellows account for 1 percent of the total acreage, down from 2 percent in 2010.

United States
Area planted to fall potatoes in 2011 is estimated at 948,600 acres, up 6 percent from the 2010 crop year. Harvested area is forecast at 936,100 acres, also up 6 percent from 2010.

Fall Potato Area Planted and Harvested and Percent of Acreage Planted by Type of Potato Selected States and Total Fall States, 2010-2011

State	Area planted		Area harvested		Planted by type [1]							
					Reds		Whites		Yellows		Russets	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
	(1,000 acres)	(1,000 acres)	(1,000 acres)	(1,000 acres)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)
North Dakota	84.0	83.0	80.0	79.0	22	26	35	23	2	1	41	50
Colorado	55.5	54.0	55.2	53.8	2	1	3	4	10	8	85	87
Idaho	295.0	320.0	294.0	319.0	3	3	4	4	1	1	92	92
Maine	55.0	56.5	54.8	55.5	4	4	40	39	5	3	51	54
Michigan	44.0	45.0	43.5	44.5	2	2	87	85	-	-	11	13
Minnesota	45.0	49.0	42.0	46.0	21	20	11	9	1	1	67	70
New York	16.2	16.5	16.0	16.1	3	7	90	86	5	5	2	2
Oregon	35.5	38.5	35.5	38.5	3	3	19	14	2	3	76	80
Pennsylvania	9.5	9.2	9.0	8.7	5	10	92	89	1	1	2	-
Washington	135.0	155.0	134.0	155.0	3	3	11	7	1	1	85	89
Wisconsin	62.5	63.0	61.5	62.0	10	11	37	37	1	1	52	51
Selected States	(X)	(X)	(X)	(X)	6	7	21	18	2	2	71	73
Total Fall States	893.7	948.6	881.3	936.1	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)

- Represents zero. (X) Not applicable. [1] Predominant type shown may include small portion of other types constituting less than 1 percent of State's total.

Are Competitors' Free Trade Agreements Putting U.S. Agricultural Exporters at a Disadvantage?

The proliferation of bilateral and regional free trade agreements (FTAs) over the past decade has become an important policy feature of the global trading system. These agreements create additional trade between members as their consumers respond to the availability of lower priced imports. At the same time, FTAs can divert trade from more efficient nonmember suppliers to member exporters receiving preferential treatment.

When countries mutually agree to reduce trade barriers within an FTA, suppliers in other countries continue to face unchanged (higher) tariffs when exporting to the FTA countries. Whether the differential tariff markups adversely affect the competitiveness of nonmember exporters depends upon the level of discrimination and the market shares of the supplying countries.

A recent ERS study using bilateral trade flows from 1975 to 2005 among 69 countries provides empirical evidence that FTAs increased trade among member countries in the world agricultural marketplace. The study shows, however, that trade expansion often is accompanied by trade contraction with nonmember countries. This suggests the large number of FTAs that do not include the United States may be eroding the U.S. presence in foreign markets.

Another ERS study focused more narrowly on specific FTAs and how they may change the pattern of U.S. agricultural exports. ERS researchers contrasted the effects of two recent FTAs negotiated by the Association of Southeast Asian Nations (ASEAN—Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Laos, Burma (Myanmar), and Cambodia) with an agreement recently negotiated between the Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) and Colombia. According to the study, the two ASEAN agreements are projected to have only modest impacts on U.S. exports, while the Mercosur agreement has the potential to impose much larger costs on U.S. trade.

Growth in FTAs Has Been Impressive and Steady

According to the World Trade Organization (WTO), as of December 1, 2010, there were 290 FTAs in force (of these, 207 covered goods, and 83 covered services). More than two-thirds were put in place within the past decade. This trend is likely to continue based on the number of additional negotiations underway or being proposed.

Almost all countries are now party to at least one FTA. The U.S., once in the vanguard of countries creating FTAs, has negotiated fewer agreements in recent years. Between 2003 and 2007, the U.S. concluded negotiations with 16 countries, resulting in 8 FTAs with 13 countries—Singapore, Chile, Australia, Morocco, El Salvador, Honduras, Nicaragua, Guatemala, Bahrain, Dominican Republic, Costa Rica, Oman, and Peru. Three additional trade agreements with South Korea, Colombia, and Panama have been signed but have yet to be ratified by the U.S. Congress. Before a trade agreement can take effect, Congress must approve the implementing legislation submitted by the President.

The share of world trade between FTA partners has steadily increased. In 2009, an estimated 45 percent of global nonagricultural trade and 54 percent of agricultural trade was between FTA partners. The U.S. trades less with FTA partners than the rest of the world does—33 percent of U.S. nonagricultural trade and 41 percent of agricultural trade occurred with FTA partners in 2009. Important agricultural exporters, such as the European Union and Canada, have been particularly active in negotiating FTAs.

The primary objective in negotiating FTAs is to achieve preferential access to a partner's market, thereby securing a competitive edge over other exporters and leveling the playing field against the FTA partner's producers. Noneconomic factors also induce countries to form FTAs. Geopolitical factors, for example, have an effect, with some FTAs considered an important force for stability and development in a region. The uncertainties associated with getting a successful conclusion to the WTO multilateral negotiations may have also been a contributing force in the growth of FTAs. No doubt there has been a "domino effect" in recent years, with countries drawn into FTAs as a means to maintain market access in their partners' markets.

Most U.S. Trade Not Affected by ASEAN FTAs

The Association of Southeast Asian Nations recently implemented a trade agreement with China and another with Australia and New Zealand. These agreements are illustrative of the potential effects on U.S. agriculture of FTAs from agreements that exclude the United States. The ASEAN countries, as well as China, Australia, and New Zealand, are important destinations for U.S. agricultural exports. These countries are both customers and competitors for U.S. agriculture.

The ASEAN-China free trade area took full effect on January 1, 2010. The agreement removes tariffs on about 90 percent of goods traded between China and the six founding members of ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand). Cambodia, Laos, Burma, and Vietnam are scheduled to remove tariffs by 2015. Tariffs for "sensitive products," such as poultry in the Philippines, pork in Thailand, and tobacco in China and Indonesia, are to be phased out by 2018. Tariffs on "highly sensitive products," including rice in almost all of the ASEAN countries plus China, and corn in China, Indonesia, the Philippines, and Thailand, are not exempt from tariff cuts but will only be reduced, not phased out.

Australia and New Zealand began jointly negotiating a free trade agreement (AANZFTA) with the ASEAN countries in 2004. The agreement was signed in 2009 and became effective in April 2010. Australia and New Zealand will benefit from the eventual elimination of tariffs on 99 percent of their exports to the ASEAN countries. A proportion of tariffs will be eliminated immediately, and most of the remaining tariffs will reach zero at various stages between 2011 and 2020. A few tariffs will not reach zero until 2025. About 5 percent of the ASEAN countries' tariffs will not be cut to zero, including those for rice in Indonesia, Malaysia, the Philippines, and Thailand, and alcoholic beverages in Indonesia, Malaysia, and Vietnam.

Source: *Amber Waves*, USDA-ERS, June 2011

Net Farm Income Expected To Increase 20 Percent in 2011

Net value added, net farm income, and net cash income—the three key U.S. farm sector financial indicators—are expected to improve in 2011. Net farm income (a measure of profitability that accounts for inventories and capital consumption), is forecast to reach $94.7 billion in 2011, up nearly 20 percent from the 2010 forecast, and the second highest inflation-adjusted value for net farm income in the past 37 years. Over the past three decades, the top five years for nominal earnings have occurred since 2004, attesting to the profitability of farming in 2000-2009.

Net value added, USDA's measure of agriculture's contribution to the U.S. economy's production of goods and services, is forecast to rise by $18.4 billion (14.2 percent). Net cash income (a measure of the ability to pay bills and make payments on debt) mimics these increases and is projected to increase $7.3 billion (8 percent).

Double-Digit Increases in Crop Cash Receipts Expected in 2011

Crop receipts are expected to rise over 14 percent ($24.1 billion) in 2011, led by sales of corn, cotton, soybeans, and wheat. Rising cash receipts for cattle and calves are expected to increase livestock receipts by 3 percent ($4.3 billion) in 2011. Government payments paid directly to producers are expected to total $10.6 billion in 2011, 12.7-percent less than in 2010.

Total production expenses are projected to jump $20.2 billion (7.0 percent) in 2011, accelerating from a relatively modest 2-percent increase in 2010. Most major expense categories are forecast to rise in 2011, with the largest increases expected for fuel, fertilizer, and feed. Fuel costs are forecast to be 16 percent higher, reflecting the continued worldwide economic recovery that will strengthen demand for currently tight supplies of most types of fuel. Fertilizer prices are moving up due to higher production costs and increasing demand. Rising grain and soybean prices are expected to push feed costs 10 percent higher for U.S. livestock producers. This is the first time that nominal production expenses are projected to exceed $300 billion. Despite crossing this threshold, 2011 inflation-adjusted expenses are still expected to remain below the levels reached in 1979 and 1980.

The increase in cash receipts and expenses will affect crop and livestock farms differently. Even though the principal expenses for each type of farm are going up nearly the same (crop-related expenses should increase around $4.2 billion while livestock-related expenses should increase $4.4 billion), cash receipts are forecast to rise much more for crop producers than for livestock producers. As a result, farm businesses that specialize in the production of cash grains, soybeans, and cotton could see average farm incomes rise over 20 percent in 2011. Farm businesses specializing in livestock production, on the other hand, will likely see lower farm incomes this year, as livestock-related expenses (particularly in feed which represents more than a third of total operating costs) increase more than cash receipts.

With prospects for higher incomes for crop producers, the real (inflation-adjusted) value of farm assets and equity are projected to rebound past 2007 levels. Farm sector assets are expected to rise by 6.1 percent in 2011, while farm debt is forecast to increase by less than 1 percent. As a result, the real value of the farm sector's equity (assets minus debts) is forecast to exceed $2 trillion for the first time since 1979 and 1980.

Source: *Amber Waves*, USDA-ERS, March 2011

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